

**IN THE CHANCERY COURT OF THE STATE OF TENNESSEE  
TWENTIETH JUDICIAL DISTRICT, DAVIDSON COUNTY**

<b>STATE OF TENNESSEE, ex rel.</b>	)	
<b>LESLIE A. NEWMAN, Commissioner of</b>	)	
<b>Commerce and Insurance for the State</b>	)	
<b>of Tennessee,</b>	)	
	)	
<b>Petitioner,</b>	)	
	)	
<b>v.</b>	)	<b>No. 03-1614-II</b>
	)	
<b>UNIVERSAL CARE OF TENNESSEE,</b>	)	
<b>INC.,</b>	)	
	)	
<b>Respondents.</b>	)	

---

**AFFIDAVIT OF PAUL EGGERS  
REPORT AND VALUATION OF CLAIMS**

---

1. My name is Paul Eggers. I am the Special Deputy Liquidator of Universal Care of Tennessee in Liquidation (UCT). UCT was placed in liquidation on July 2, 2003.
2. My duties as Special Deputy Receiver include overseeing claims processing and distribution of funds for UCT. During January 2004, I oversaw the mailing of the following documents to persons known or expected to have claims against UCT: Notice of Liquidation, Proof of Claim (POC) Form, Instructions for Completing the POC, and an Internal Revenue Service Form W-9 (collectively referred to as the "Notice Documents").
3. The Notice Documents were sent by first class mail to the providers' addresses reflected in UCT's records and those reflected in the records of two other TennCare managed care organizations.
4. The Notice Documents were posted on UCT's website, [www.uctliquidation.com](http://www.uctliquidation.com), and the Notice of Liquidation was published in the following newspapers: *Chattanooga Times*, *Commercial Appeal Memphis*, *Knoxville News*, *Clarksville Leaf Chronicle*, *Tennessean*, *Cookeville Herald Citizen*, and *Long Beach Press Telegram*.
5. Under the original contract between UCT and TennCare that was entered effective July 2001, TennCare paid a monthly capitated rate to UCT, and UCT was at risk for covering the cost of health care to TennCare enrollees from those payments. Effective April 12, 2002, the contract was revised to a non-risk agreement with TennCare covering the costs of health care and

paying UCT an administrative fee. The period prior to April 12, 2002 is referred to as the pre-period. April 12, 2002 and after is referred to as the post-period.

6. After the claims filing deadline, June 15, 2004, UCT processed pre-period and post-period claims and issued a Final Liquidation Advice to each provider showing the provider's approved claim amount for each period. Providers were given an opportunity to submit an objection to the approved claim amount on the Final Liquidation Advice.

7. Objections to post-period Final Liquidation Advices were resolved and amounts owed to providers for the post-period were funded by TennCare.

8. Regarding pre-period claims, approximately 43 providers submitted objections to the Final Liquidation Advice and an additional 12 providers objected to the determination that their claims were late-filed. All pre-period objections have now been resolved. Pre-period claims, which are payable from assets of the liquidation estate, total \$50,563,959.30

9. As of January 31, 2008, UCT has \$32,152,903.93. Included in this amount is \$20,000,000 received from the TennCare Bureau in settlement of a lawsuit the Liquidator pursued and \$2,000,000 from the parent (Universal Care Inc.) of UCT. Other funds recovered came from settlement of a lawsuit against UCT's pre-liquidation legal counsel, subrogation recoveries, reinsurance recoveries, and funds on hand at the time of liquidation.

10. I estimate that a reserve of \$95,353.47 is needed to pay accrued Class 1 administrative expenses and future administrative expenses related to distributing UCT's assets and winding up the estate; therefore \$32,057,550.46 will be available to pay Class 2 claims.

11. Class 2 claimants will receive a distribution of approximately 63.4%. The Liquidator's report of Class 2 claims including the computed payable amount of each claim is attached as Exhibit 1.

12. I will post the motion, memorandum, my affidavit and its exhibits on the websites of UCT and the Department of Commerce and Insurance. I will ask the Tennessee Hospital Association, the Tennessee Medical Association, and the Hospital Alliance of Tennessee to advise members of the website postings or to make the pleadings available to their members by other means.

13. Providers will be given an opportunity to show proof of an address change and to provide information needed to avoid federal income tax withholding by submitting an updated IRS Form W-9 to the liquidation office. Instructions for making those changes are set forth in Exhibit 2.

14. Since Class 2 claims will not be paid in full, claims below Class 2 will not be paid.

15. A breakdown of Class 1 administrative expense estimates is attached as Exhibit 3. Estimates of attorneys fees were submitted to me by the attorneys. I prepared all other estimates. The original estimate of administrative expenses was \$96,600.00. Because of rounding in the computation of Class 2 distributions, a reduction of \$1,246.53 to administrative expense estimate

was necessary in order for each class 2 claimant to receive a 63.4% distribution. This adjustment will not have a significant impact on the payment of administrative expenses. The estimate for accrued fees represents fees for November 2007 through January 2008 which had accrued but were not yet paid as of the effective date of the estimate, January 31, 2008. All fees for 2007 have been approved through the Commissioner's certification process and paid.

16. A financial report of UCT for the period July 2, 2003 through January 31, 2008, is attached as Exhibit 3. I prepared the report based upon records I maintained throughout the liquidation.

17. I believe it is reasonable to allow 90 days from the date claims checks are issued for claimants to negotiate the claims checks before the Liquidator transfers unclaimed funds to the State Treasurer. If the 90 day period is approved by the Court, notice of the limitations period will be printed on the face of the checks.

18. After the unclaimed funds are transferred to the State Treasurer, the Liquidator and I will apply to the Court for an Order to destroy records of the Liquidation, to close the estate after costs are paid, and to discharge us from our duties relative to UCT.

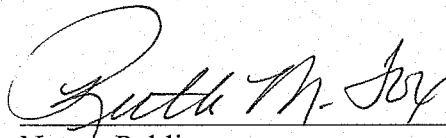
FURTHER AFFIANT SAITH NOT.



PAUL EGGERS

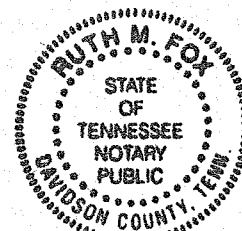
STATE OF TENNESSEE )  
 ) ss:  
COUNTY OF DAVIDSON )

SUBSCRIBED AND SWORN to before me by Paul Eggers, on the 22<sup>nd</sup> day of February, 2008.



Notary Public

My Commission Expires: Nov 22, 2010



My Commission Expires NOV. 22. 2010